

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 JUSE-00 CTME-00 AGR-05
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11
OIC-02 OES-07 FAA-00 DOTE-00 GSA-02 /183 W
-----003985 201735Z /43

P 201646Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1100
INFO AMEMBASSY BRUSSELS

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USMTN, USEEC
ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O.11652:N/A
TAGS: MTN, ETRD, EEC
SUBJECT: US/EC INDUSTRIAL TARIFFS BILATERAL

1. SUMMARY. U.S. MTN DEL (MCNAMARA ET AL) MET WITH EC COMMISSION AND MEMBER STATES DEL(DUGIMONT ET AL) ON JUNE 14 TO DISCUSS INDUSTRIAL TARIFF OFFERS. U.S. DEL AGAIN EXPRESSED ITS EXTREME DISSATISFACTION WITH POSSIBLE EC WITHDRAWALS NOTING THAT THESE WITHDRAWALS WOULD HAVE MAJOR IMPACT OVERALL AND IN CERTAIN KEY SECTORS, SUCH AS PAPER PRODUCTS, OFFICE AND COMPUTING EQUIPMENT (INCLUDING SEMI-CONDUCTORS), AND TRUCKS. DISCUSSION ON CHEMICALS WAS DEFERRED UNTIL AFTER U.S. TABLES ITS OFFERS ON ASP ITEMS. THE EC DEL NOTED THAT THE 50 PERCENT U.S. DUTY ON SHIP AND AIRCRAFT REPAIRS WAS PARTICULARLY ONEROUS TO THEM AND SUGGESTED THAT THE EC'S POSSIBLE OFFER TO DUTY FREE ON
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AIRCRAFT MAY BE TIED TO U.S. ACTION ON THIS FRONT, PARTICULARLY ON AIRCRAFT REPAIRS. END SUMMARY.

MAINTENANCE AND IMPROVEMENTS IN EC OFFER.

2. PAPER PRODUCTS -- U.S. DEL EXPRESSED ITS EXTREME DISSATISFACTION WITH EXTENSIVENESS OF EC POSSIBLE WITHDRAWALS

IN THIS SECTOR, NOTING THAT POSSIBLE WITHDRAWALS ENCOMPASS VIRTUALLY ALL U.S. EXPORTS OF PAPER PRODUCTS. (FYI: OF \$400 MILLION IN U.S. DUTIABLE EXPORTS TO THE EC IN PAPER PRODUCTS, \$381 MILLION OR 94 PERCENT WOULD BE AFFECTED BY EC POSSIBLE WITHDRAWALS.) U.S. DEL INDICATED THAT THESE POSSIBLE WITHDRAWALS WOULD NOT ONLY NEGATIVELY IMPACT U.S. INTERESTS BUT MAY WELL NEGATIVELY IMPACT CERTAIN EC MEMBER COUNTRIES. EC DEL STRESSED THAT ITS PAPER PRODUCTS SECTOR IS PLAGUED BY SUBSTANTIAL OVERCAPACITY AND PRICE EROSION, WITH NO SOLUTION IN SIGHT. EC DEL STRESSED THAT ALTHOUGH THE EC HAD VERY LIMITED PRODUCTION OF THE PRINCIPAL U.S. PAPER PRODUCT EXPORT -- LINER BOARD -- IT DID HAVE SUBSTANTIAL PRODUCTION OF A DIRECTLY COMPETITIVE PRODUCT -- TEST LINER. EC DEL ALLEGED THAT THIS INDUSTRY WAS PLAGUED BY CHRONIC OVERCAPACITY AND STRUCTURAL DIFFICULTY, A SITUATION WHICH WOULD BE FURTHER AGGRAVATED BY TARIFF CUTS ON LINER BOARD. U.S. DEL SUGGESTED EXOUTS TO MAINTAIN/IMPROVE EC OFFERS FOR THIS SECTOR; EC DEL'S INITIAL REACTION WAS THAT THE LIST ENCOMPASSED VIRTUALLY THE ENTIRE SECTOR.

3. OFFICE AND COMPUTING EQUIPMENT, INCLUDING SEMI-CONDUCTORS -- U.S. DEL EXPRESSED ITS DISCONTENT WITH EC POSSIBLE WITHDRAWALS IN THIS SECTOR EMPHASIZING THE DIFFICULTY IN ACCEPTING EC'S INFANT INDUSTRY ARGUMENT FOR INTEGRATED CIRCUITS (IC'S). NONETHELESS, THE U.S. DEL, LIMITED OFFICIAL USE

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BASED ON ISAC ADVICE, REQUESTED THAT EC CONSIDER A POSSIBLE EXOUT FOR MAINTENANCE/IMPROVEMENT FOR IC'S WITH 1,000 OR LESS ACTIVE ELEMENTS, WHERE EC IS FULLY COMPETITIVE. EC DEL AGREED TO CONSIDER SUCH AN EXOUT BUT POINTED OUT THAT EC WAS PARTICULARLY CONCERNED ABOUT COMPETITION FROM EASTERN EUROPE AND ASIA. U.S. DEL ALSO CITED INCREASING IMPORTANCE OF EC CUTS ON RATES IN CCCN CHAPTERS 84.52, 84.54, AND 84.55, IN LIGHT OF RECENT CCCN NOMENCLATURE COMMITTEE DECISION ON CLARIFICATION OF COMPUTER PERIPHERALS. (FYI: EC HAS THREATENED WITHDRAWAL OF 84.52A, ELECTRONIC CALCULATORS. END FYI.) EC DEL CUSTOMS EXPERT (HUYSMANS) STATED HE HAD NOT YET BEEN INFORMED OF NOMENCLATURE COMMITTEE DECISION IN THIS AREA, BUT WOULD STUDY PROBLEM AND CONTACT U.S. DEL FOR FOLLOW-UP DISCUSSION.

4. TRUCKS -- U.S. DEL EMPHASIZED THE IMPORTANCE OF EC MAINTENANCE OF OFFER ON TRUCKS AND CHALLENGED EC'S JUSTIFICATION THAT TRUCKS FROM JAPAN WERE A PRIMARY REASON FOR THE WITHDRAWAL. U.S. DEL NOTED THAT U.S. TRUCK EXPORTS WERE NOT DIRECTLY COMPETITIVE WITH THOSE FROM JAPAN; THEREFORE, EC HAD SUFFICIENT LATITUDE TO DIF-

FERENTIAE BETWEEN U.S. AND JAPANESE EXPORTS BY EXOUTS.

5. CONSTRUCTION EQUIPMENT -- U.S. DEL NOTED THAT THIS U.S. INDUSTRY HAS BEEN A STRONG SUPPORTER FOR TRADE LIBERALIZATION AND THAT RECIPROCITY WILL BE ESSENTIAL IN MAINTAINING THEIR ENDORSEMENT FOR THE OVERALL OBJECTIVES OF THE MTN. U.S. DEL RELAYED THE INDUSTRY'S CONCERN OVER PRODUCTS WHOSE CLASSIFICATION CAN VARY AMONG SEVERAL CCCN HEADINGS AND REQUESTED RATE EQUALIZATION FOR THESE ITEMS TO ELIMINATE NEGATIVE IMPACT OF CLASSIFICATION PROBLEM.

6. MOTORS FOR APPLIANCES -- U.S. DEL NOTED SUBSTANTIAL VOLUME OF U.S. EXPORTS TO THE EC, CITING PRODUCT QUALITY AS AN UNDERLYING REASON FOR THEIR SUBSTANTIAL TRADE. THE LIMITED OFFICIAL USE

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OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11
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USMTN, USEEC
ACTION STR PASS ELECTRICALLY; STR PASS CODEL

U.S. DEL INDICATED THAT EC POSSIBLE WITHDRAWALS COVERED A BROAD SPECTRUM OF MOTORS AND REQUESTED THAT EC CONSIDER

AN EXOUT FOR SMALLER MOTORS (ON THE BASIS OF HORSEPOWER).
EC DEL AGREED TO CONSIDER THIS REQUEST, BUT NOTED U.S.
POST-MTN RATE ON SIMILAR APPLIANCE COMPONENTS WOULD BE 10
PERCENT.

7. DUGIMONT INDICATED THAT THE EC'S LIST ON DEFERRED STAG-
ING ITEMS WAS EXPANDING, FROM STEEL (STEEL MILL PRODUCTS IN
CCCN CHAPTER 73) AND TEXTILES (PRODUCTS COVERED BY MFA) TO
ANTIKNOCK PREPARATIONS AND CERAMIC ITEMS. FIRST REDUC-
TION ON THESE WOULD BE DEFERRED UNTIL 1982.

U.S. OFFERS.

8. DUGIMONT REPLAYED FAMILIAR THEME ABOUT ASP, FINAL LIST
AND DEFERRED ITEMS. WE REPLIED THAT AMB. STRAUSS WOULD
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CONVEY TO HAFERKAMP ON JUNE 19 A REVISED U.S. OFFER TO
INCLUDE OFFERS ON THESE ITEMS. DUGIMONT INQUIRED IF THE
NEW U.S. OFFER WOULD ADDRESS EC'S REQUESTS FOR IMPROVE-
MENT. U.S. DEL NOTED THAT THE EXTENSIVENESS OF EC WITH-
DRAWAL LIST HAD CREATED AN ANALYTICAL BURDEN FOR THE U.S.
MAKING IT UNLIKELY U.S. WOULD RESPOND TO EC'S LIST OF
REQUESTS FOR IMPROVEMENTS BEFORE THE END OF JUNE AT THE
EARLIEST. EC SOUGHT CLARIFICATION OF MEANING OF CONDI-
TIONS IN U.S. OFFER ON STEEL AND TEXTILES. U.S. DEL
RESPONDED THAT IT WAS UNABLE TO PROVIDE CLARIFICATION AT
THIS TIME.

9. NOTING THAT U.S. ADHERENCE TO PROPOSED VALUATION CODE
WOULD BE UNBALANCED IN FAVOR OF EC AND OTHERS, U.S. DEL
SAID THAT WE EXPECTED COMPENSATION FOR THE ELIMINATION OF
ASP, APART FROM RATE CHANGES PROVIDING EQUIVALENT TARIFF
REVENUES. DUGIMONT COUNTERED BY ASKING RHETORICALLY
WHETHER COMPENSATION SHOULD BE PAID FOR MERELY COMPLYING
WITH ARTICLE VII.

10. SHIP AND AIRCRAFT REPAIRS -- EC DELEGATION VOICED ITS
DISPLEASURE WITH 50 PERCENT DUTY ON SHIP AND AIRCRAFT
REPAIR, NOTING THAT PREVIOUS EC ATTEMPTS TO NEGOTIATE ITS
ELIMINATION WERE FRUITLESS. EC DELEGATION ALLEGED THAT AN
IMBALANCE BETWEEN U.S. AND EC AIRCRAFT OFFERS TO ZERO
DUTIES WOULD RESULT IF U.S. WERE TO MAINTAIN ITS DUTIES,
HINTING THAT EC'S POSSIBLE OFFER TO ZERO ON AIRCRAFT WAS
LINKED TO U.S. ACTION ON THIS ISSUE. U.S. DEL INFORMED
EC DEL THAT SHIP AND AIRCRAFT REPAIR DUTIES WERE BEYOND
PRESIDENT'S TARIFF CUTTING AUTHORITY, AND WOULD REQUIRE
SEPARATE LEGISLATION TO REDUCE OR ELIMINATE THESE DUTIES.
MCNAMARA STRESSED THAT U.S. ACTION ON THIS ISSUE,
PARTICULARLY ON THE SHIP REPAIR PORTION, WAS REMOTE.

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WE ALSO NOTED A LIKELY UPSURGE IN NEW AIRCRAFT IMPORTS IF THE REPAIR PROVISION WERE CHANGED. U.S. DEL EMPHASIZED THAT UK AND FRENCH IMPORT RESTRICTIONS ON AIRCRAFT WERE ALSO KEY ELEMENTS OF A POSSIBLE DUTY-FREE PACKAGE IN THAT SECTOR.

11. EC REQUESTS FOR RECLASSIFICATION -- ON JUNE 6, MTN DEL CONVEYED THE U.S. RESPONSE ON THE EC'S CLASSIFICATION QUESTIONS PER INSTRUCTIONS IN TPSC 78-1, ATTACHMENT 2. EC INDICATED THEY MIGHT PURSUE THEIR GATT RIGHTS WITH RESPECT TO RECLASSIFICATION OF TAGGER TAILS (TSUS 745.61) AND SYNTHETIC SINGLE CRYSTAL QUARTZ (520.75), IF U.S. CONTINUES TO IGNORE EC REQUESTS. EC ALSO TOOK SERIOUS OBJECTION TO U.S. RESPONSE ON INDUSTRIAL RUBBER SHEETING. (COMMENT: MTN DEL ALSO BELIEVES THAT CLASSIFICATION OF THIS PRODUCT IN 359.10 IS QUESTIONABLE. TPSC 78-1 FAILS TO CITE TSUS HEADNOTE 4(B) TO SCHEDULE 3 IN ITS ENTIRETY, AND FAILS TO MENTION AT ALL HEADNOTE 5 (SCHEDULE 3) WHICH WOULD SUGGEST PROPER CLASSIFICATION IS IN 771.42. END COMMENT.) EC PROMISED TO GIVE US SAMPLES OF BOTH INDUSTRIAL RUBBER SHEETING AND JEANS POCKET DESIGN TRADEMARKS.

12. DRAFTED BY O'CONNELL. CULBERT

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Message Attributes

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